

State of Utah



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2002

State Of Utah
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For The Fiscal Year Ended June 30, 2002

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ACKNOWLEDGMENTS

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Table of Contents

INTRODUCTORY SECTION

	Page
Title page – Acknowledgments	1
Table of Contents	2
Letter of Transmittal	4
Certificate of Achievement for Excellence in Financial Reporting	9
State Organization Chart	10

FINANCIAL SECTION

Independent State Auditor's Report	12
Management's Discussion and Analysis	14

Basic Financial Statements

Government-wide Financial Statements	
Statement of Net Assets	25
Statement of Activities	26
Governmental Fund Financial Statements	
Balance Sheet	30
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	32
Statement of Revenues, Expenditures, and Changes in Fund Balances	34
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	36
Proprietary Fund Financial Statements	
Statement of Net Assets	38
Statement of Revenues, Expenses, and Changes in Fund Net Assets	40
Statement of Cash Flows	42
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Assets	47
Statement of Changes in Fiduciary Net Assets	48
Component Unit Financial Statements	
Combining Statement of Net Assets	50
Combining Statement of Activities	51
Notes to the Financial Statements	52

Required Supplementary Information

Budgetary Comparison Schedule – General Fund	96
Budgetary Comparison Schedule – Uniform School Fund	97
Budgetary Comparison Schedule – Transportation Fund	98
Budgetary Comparison Schedule – Centennial Highway Fund	99
Budgetary Comparison Schedule – Budget to GAAP Reconciliation	100
Notes to Required Supplementary Information – Budgetary Reporting	101
Information about Infrastructure Assets Reported Using the Modified Approach	102

Supplementary Information –Combining Statements and Individual Fund Statements and Schedules

Governmental Funds	
Nonmajor Governmental Funds	
Combining Balance Sheet	108
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	112
Budgetary Compliance	
Detail Schedule of Expenditures – Budget and Actual Comparison – General Fund	116
Detail Schedule of Expenditures – Budget and Actual Comparison – Uniform School Fund, Transportation Fund, Centennial Highway Fund, and Debt Service Fund	128

Supplementary Information – Combining Statements and Individual Fund Statements and Schedules (continued)**Proprietary Funds****Nonmajor Enterprise Funds**

Combining Statement of Net Assets	132
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	134
Combining Statement of Cash Flows.....	136

Internal Service Funds

Combining Statement of Net Assets	142
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	144
Combining Statement of Cash Flows.....	146

Fiduciary Funds**Defined Benefit Pension Plans and Other Pension Trust Funds**

Combining Statement of Fiduciary Net Assets	152
Combining Statement of Changes in Fiduciary Net Assets.....	154

Private Purpose Trust Funds

Combining Statement of Fiduciary Net Assets	156
Combining Statement of Changes in Fiduciary Net Assets	158

Agency Funds

Combining Statement of Fiduciary Assets and Liabilities	160
Combining Statement of Changes in Assets and Liabilities.....	161

Component Units**Nonmajor Component Units**

Combining Statement of Net Assets	164
Combining Statement of Activities	166

STATISTICAL SECTION

General Governmental Expenditures and Other Uses by Function – For the Last Ten Fiscal Years.....	170
General Governmental Revenues by Source and Liquor Control Profit Transfer – For the Last Ten Fiscal Years	171
General Obligation Bonds	172
Ratio of Net General Bonded Debt to Fair Market Value and Net Bonded Debt Per Capita – For the Last Ten Fiscal Years	172
Calculation of Legal Debt Limits – For the Last Ten Fiscal Years.....	173
Statutory Debt Limit.....	173
General Obligation Bonded Debt Per Capita – For the Last Ten Fiscal Years	173
Ratio of Debt Service Expenditures to General and to All Governmental Fund Type Expenditures – For the Last Ten Fiscal Years	174
Enterprise Funds Revenue Bond Coverage – For the Last Ten Fiscal Years.....	174
Revenue Bonds.....	175
Population.....	180
Taxable Retail Sales and Personal Income	180
Personal Income by Sector – For the Last Five Calendar Years.....	181
Composition of Labor Force – Annual Average – For the Last Five Calendar Years	182
Average Annual Unemployment Rate – For the Last Five Calendar Years.....	182
Gross Taxable Retail Sales and Use Tax Purchases – For the Last Five Calendar Years	183
Bank Deposits – For the Last Ten Fiscal Years.....	183
Largest Employers.....	184
Graph of Revenues and Expenditures – All Governmental Fund Types – For the Last Five Fiscal Years.....	185
Graph of Expenditures – Historical and Constant Dollars – All Governmental Fund Types – For the Last Five Fiscal Years	186
Graph of Per Capita Expenditures – Historical and Constant Dollars – All Governmental Fund Types – For the Last Five Fiscal Years	187

REQUIRED SUPPLEMENTARY INFORMATION

State of Utah**Budgetary Comparison Schedule
General Fund**

For the Fiscal Year Ended June 30, 2002

(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
General Revenues				
Sales Tax	\$ 1,497,852	\$ 1,434,800	\$ 1,441,318	\$ 6,518
Licenses, Permits, and Fees:				
Insurance Fees	5,089	7,226	6,781	(445)
Court Fees	3,220	3,332	3,126	(206)
Other Licenses, Permits, and Fees	7,006	8,344	7,831	(513)
Investment Income	20,000	11,500	9,732	(1,768)
Miscellaneous Taxes and Other:				
Beer Tax	10,000	10,355	10,470	115
Cigarette and Tobacco Tax	51,000	48,945	49,486	541
Inheritance Tax	13,000	8,600	9,424	824
Insurance Premium Tax	59,013	50,550	56,616	6,066
Oil, Gas, and Mining Severance Tax	36,000	30,050	23,846	(6,204)
Taxpayer Rebates	(4,000)	(5,400)	(5,342)	58
Court Collections	6,522	6,762	6,344	(418)
Miscellaneous Other	11,027	20,036	19,057	(979)
Total General Revenues	<u>1,715,729</u>	<u>1,635,100</u>	<u>1,638,689</u>	<u>3,589</u>
Department Specific Revenues				
Restricted Sales Tax	2,964	2,964	2,993	29
Federal Contracts and Grants	1,252,266	1,342,706	1,342,706	—
Departmental Collections	176,193	182,484	211,932	29,448
Higher Education Collections	198,831	221,890	221,890	—
Federal Mineral Lease	36,300	36,300	29,367	(6,933)
Investment Income	9,927	9,927	6,596	(3,331)
Miscellaneous	290,681	310,453	351,160	40,707
Total Department Specific Revenues	<u>1,967,162</u>	<u>2,106,724</u>	<u>2,166,644</u>	<u>59,920</u>
Total Revenues	<u>3,682,891</u>	<u>3,741,824</u>	<u>3,805,333</u>	<u>63,509</u>
Expenditures				
General Government	196,494	188,894	169,000	19,894
Human Services and Youth Corrections	558,132	549,055	543,480	5,575
Corrections, Adult	195,171	184,916	183,359	1,557
Public Safety	137,464	156,250	148,970	7,280
Courts	104,110	102,390	100,568	1,822
Health and Environmental Quality	1,166,922	1,287,708	1,281,808	5,900
Higher Education – State Administration	43,478	42,155	42,155	—
Higher Education – Colleges and Universities	796,540	841,143	841,143	—
Employment and Family Services	259,784	327,118	327,100	18
Natural Resources	132,916	146,386	123,519	22,867
Community and Economic Development	121,641	101,659	87,940	13,719
Business, Labor, and Agriculture	63,649	65,017	54,137	10,880
Total Expenditures	<u>3,776,301</u>	<u>3,992,691</u>	<u>3,903,179</u>	<u>89,512</u>
Excess Revenues Over (Under) Expenditures	<u>(93,410)</u>	<u>(250,867)</u>	<u>(97,846)</u>	<u>153,021</u>
Other Financing Sources (Uses)				
Transfers In	269,571	226,550	226,550	—
Transfers Out	(294,324)	(334,242)	(334,242)	—
Total Other Financing Sources (Uses)	<u>(24,753)</u>	<u>(107,692)</u>	<u>(107,692)</u>	<u>0</u>
Net Change in Fund Balance	(118,163)	(358,559)	(205,538)	153,021
Budgetary Fund Balance – Beginning	404,898	404,898	404,898	—
Budgetary Fund Balance – Ending	<u>\$ 286,735</u>	<u>\$ 46,339</u>	<u>\$ 199,360</u>	<u>\$ 153,021</u>

State of Utah**Budgetary Comparison Schedule
Uniform School Fund**

For the Fiscal Year Ended June 30, 2002

(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
General Revenues				
Individual Income Tax	\$ 1,841,762	\$ 1,622,389	\$ 1,610,170	\$ (12,219)
Corporate Tax	205,482	107,740	127,320	19,580
Investment Income	5,000	4,000	9,648	5,648
Miscellaneous Other	8,000	8,650	5,556	(3,094)
Total General Revenues	<u>2,060,244</u>	<u>1,742,779</u>	<u>1,752,694</u>	<u>9,915</u>
Department Specific Revenues				
Federal Contracts and Grants	237,428	252,991	252,991	—
Departmental Collections	6,049	2,287	1,777	(510)
Miscellaneous:				
School Lunch Tax	14,507	14,507	15,606	1,099
Driver Education Fee	4,156	4,156	4,188	32
Other	7,349	7,349	8,936	1,587
Total Department Specific Revenues	<u>269,489</u>	<u>281,290</u>	<u>283,498</u>	<u>2,208</u>
Total Revenues	<u>2,329,733</u>	<u>2,024,069</u>	<u>2,036,192</u>	<u>12,123</u>
Expenditures				
Public Education	<u>2,086,987</u>	<u>2,032,579</u>	<u>2,005,507</u>	<u>27,072</u>
Total Expenditures	<u>2,086,987</u>	<u>2,032,579</u>	<u>2,005,507</u>	<u>27,072</u>
Excess Revenues Over (Under) Expenditures	<u>242,746</u>	<u>(8,510)</u>	<u>30,685</u>	<u>39,195</u>
Other Financing Sources (Uses)				
Transfers In	1,875	126,279	126,279	—
Transfers Out	<u>(280,733)</u>	<u>(189,388)</u>	<u>(189,388)</u>	<u>—</u>
Total Other Financing Sources (Uses)	<u>(278,858)</u>	<u>(63,109)</u>	<u>(63,109)</u>	<u>0</u>
Net Change in Fund Balance	(36,112)	(71,619)	(32,424)	39,195
Budgetary Fund Balance – Beginning	76,315	76,315	76,315	—
Budgetary Fund Balance – Ending	<u>\$ 40,203</u>	<u>\$ 4,696</u>	<u>\$ 43,891</u>	<u>\$ 39,195</u>

State of Utah**Budgetary Comparison Schedule
Transportation Fund**

For the Fiscal Year Ended June 30, 2002

(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
General Revenues				
Motor Fuel Tax	\$ 252,174	\$ 228,100	\$ 237,925	\$ 9,825
Special Fuel Tax	80,900	84,950	84,406	(544)
Licenses, Permits, and Fees:				
Motor Vehicle Registration Fees	27,600	27,862	27,378	(484)
Proportional Registration Fees	13,275	12,653	11,665	(988)
Temporary Permits	443	432	401	(31)
Special Transportation Permits	6,638	6,375	5,831	(544)
Highway Use Permits	9,404	8,809	8,000	(809)
Motor Vehicle Control Fees	4,757	4,483	4,167	(316)
Miscellaneous	1,949	1,732	1,610	(122)
Investment Income	3,872	3,133	2,075	(1,058)
Miscellaneous Other	2,762	2,121	1,720	(401)
Total General Revenues	<u>403,774</u>	<u>380,650</u>	<u>385,178</u>	<u>4,528</u>
Department Specific Revenues				
Restricted Sales Tax	30,100	31,800	31,235	(565)
Federal Contracts and Grants	146,225	205,982	205,982	—
Departmental Collections	33,620	33,570	44,055	10,485
Federal Aeronautics	30,000	30,000	31,026	1,026
Investment Income	380	380	582	202
Miscellaneous	10,750	10,790	22,453	11,663
Total Department Specific Revenues	<u>251,075</u>	<u>312,522</u>	<u>335,333</u>	<u>22,811</u>
Total Revenues	<u>654,849</u>	<u>693,172</u>	<u>720,511</u>	<u>27,339</u>
Expenditures				
Transportation	<u>564,947</u>	<u>675,270</u>	<u>665,042</u>	<u>10,228</u>
Total Expenditures	<u>564,947</u>	<u>675,270</u>	<u>665,042</u>	<u>10,228</u>
Excess Revenues Over (Under) Expenditures	<u>89,902</u>	<u>17,902</u>	<u>55,469</u>	<u>37,567</u>
Other Financing Sources (Uses)				
Transfers In	30,422	36,131	36,131	—
Transfers Out	<u>(92,666)</u>	<u>(86,520)</u>	<u>(86,520)</u>	<u>—</u>
Total Other Financing Sources (Uses)	<u>(62,244)</u>	<u>(50,389)</u>	<u>(50,389)</u>	<u>0</u>
Net Change in Fund Balance	27,658	(32,487)	5,080	37,567
Budgetary Fund Balance – Beginning	86,675	86,675	86,675	—
Budgetary Fund Balance – Ending	<u>\$ 114,333</u>	<u>\$ 54,188</u>	<u>\$ 91,755</u>	<u>\$ 37,567</u>

State of Utah**Budgetary Comparison Schedule
Centennial Highway Fund**

For the Fiscal Year Ended June 30, 2002

(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
General Revenues				
Sales Tax	\$ 5,112	\$ 4,800	\$ 4,905	\$ 105
Motor Vehicle Registration Fees	18,670	17,500	18,120	620
Investment Income	2,000	2,100	2,931	831
Total General Revenues	<u>25,782</u>	<u>24,400</u>	<u>25,956</u>	<u>1,556</u>
Department Specific Revenues				
Federal Contracts and Grants	38,016	46,865	46,865	—
Miscellaneous	<u>5,460</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Department Specific Revenues	<u>43,476</u>	<u>46,865</u>	<u>46,865</u>	<u>0</u>
Total Revenues	<u>69,258</u>	<u>71,265</u>	<u>72,821</u>	<u>1,556</u>
Expenditures				
Transportation	<u>333,535</u>	<u>467,428</u>	<u>205,358</u>	<u>262,070</u>
Total Expenditures	<u>333,535</u>	<u>467,428</u>	<u>205,358</u>	<u>262,070</u>
Excess Revenues Over (Under) Expenditures	<u>(264,277)</u>	<u>(396,163)</u>	<u>(132,537)</u>	<u>263,626</u>
Other Financing Sources (Uses)				
General Obligation Bonds Issued	125,000	277,810	277,810	—
Premium (Discount) on Bonds Issued	—	11,241	11,241	—
Transfers In	207,834	178,295	178,295	—
Transfers Out	<u>(82,658)</u>	<u>(93,385)</u>	<u>(93,385)</u>	<u>—</u>
Total Other Financing Sources (Uses)	<u>250,176</u>	<u>373,961</u>	<u>373,961</u>	<u>0</u>
Net Change in Fund Balance	(14,101)	(22,202)	241,424	263,626
Budgetary Fund Balance – Beginning	<u>63,933</u>	<u>63,933</u>	<u>63,933</u>	<u>—</u>
Budgetary Fund Balance – Ending	<u>\$ 49,832</u>	<u>\$ 41,731</u>	<u>\$ 305,357</u>	<u>\$ 263,626</u>

State of Utah**Budgetary Comparison Schedule
Budget To GAAP Reconciliation**

For the Fiscal Year Ended June 30, 2002

(Expressed in Thousands)

	General Fund	Uniform School Fund	Transportation Fund	Centennial Highway Fund
Revenues				
Actual total revenues (budgetary basis)	\$ 3,805,333	\$ 2,036,192	\$ 720,511	\$ 72,821
Differences – Budget to GAAP:				
Intrafund revenues are budgetary revenues but are not revenues for financial reporting	(274,012)	(6,968)	(22,026)	—
Higher education collections are budgetary revenues but are not revenues for financial reporting	(221,890)	—	—	—
Change in revenue accrual for nonbudgetary Medicaid claims	4,387	—	—	—
Change in tax accruals designated by law for postemployment and other liabilities are revenues for financial reporting but not for budgetary reporting	5,960	(28,383)	(1,097)	—
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	<u>\$ 3,319,778</u>	<u>\$ 2,000,841</u>	<u>\$ 697,388</u>	<u>\$ 72,821</u>
Expenditures				
Actual total expenditures (budgetary basis)	\$ 3,903,179	\$ 2,005,507	\$ 665,042	\$ 205,358
Differences – Budget to GAAP:				
Intrafund expenditures for reimbursements are budgetary expenditures but are not expenditures for financial reporting	(274,012)	(6,968)	(22,026)	—
Expenditures related to higher education collections are budgetary expenditures but are not expenditures for financial reporting	(221,890)	—	—	—
Certain budgetary transfers are reported as expenditures for financial reporting	541	—	—	—
Leave/postemployment charges budgeted as expenditures when earned rather than when taken or due	(1,581)	(299)	(857)	—
Change in accrual for Medicaid incurred but not reported claims excluded from the budget by statute	6,176	—	—	—
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	<u>\$ 3,412,413</u>	<u>\$ 1,998,240</u>	<u>\$ 642,159</u>	<u>\$ 205,358</u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –BUDGETARY REPORTING**Budgetary Presentation**

A Budgetary Comparison Schedule is presented for each of the State's major governmental funds for which the Legislature enacts an annual budget. An annual budget is also adopted for the Debt Service Fund, a nonmajor fund. The budgets are enacted through passage of *Appropriations Acts*. Budgets for specific general revenues are not adopted through an *Appropriations Act* but are based on supporting estimates approved by the Executive Appropriations Committee of the Legislature. General revenues are those revenues available for appropriation for any program or purpose as allowed by law. Department-specific revenues are revenues dedicated by an *Appropriations Act* or restricted by other law or external grantor to a specific program or purpose.

Original budgets and related revenue estimates represent the spending authority enacted through *Appropriations Acts* as of June 30, 2001, and include nonlapsing carryforward balances from the prior fiscal year. Final budgets represent the original budget as amended by supplemental appropriations and related changes in revenue estimates, executive order reductions when applicable, and changes authorized or required by law when department-specific revenues either exceed or fall short of budgeted amounts.

Unexpended balances at yearend may: 1) lapse to unrestricted balances and be available for future appropriation; 2) lapse to restricted balances and be available for future appropriation restricted for specific purposes as defined by statute; or 3) be nonlapsing, which means balances are reported as reservations of fund balance. The nonlapsing balances are considered automatically reappropriated as authorized by statute, by an *Appropriations Act*, or by limited encumbrances.

Changes in Budgetary Fund Balance — As discussed in Note 2 to the basic financial statements, the implementation of new accounting standards resulted in significant changes to the reported GAAP-basis fund balances, which in turn affect the budgetary fund balances. The beginning budgetary fund balances have been restated from the prior year for these changes.

Legal Compliance and Budget Management

In September of each year, all agencies of the government submit requests for appropriations to the Governor's Office of Planning and Budget so that a budget may be prepared. The budget is prepared by fund, function, and activity and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

In January, the proposed budget is presented to the Legislature. The Legislature reviews the budget, makes changes, and prepares the annual *Appropriations Act*. The Legislature passes the *Appropriations Act* by a simple majority vote. The *Appropriations Act* becomes the State's authorized operating budget upon the Governor's signature. The appropriations may not exceed the estimated available funding for the fiscal year.

Budgetary control is maintained at the functional or organizational level, as identified by numbered line items in the *Appropriations Act*. Budgets may be modified if federal funding or revenue specifically dedicated for a line item exceeds original estimates in the *Appropriations Act*. If funding sources are not sufficient to cover the appropriation, the Governor is required to reduce the budget by the amount of the deficiency. Any other changes to the budget must be approved by the Legislature in a supplemental *Appropriations Act*.

The departments which spend more than the authorized amount must submit a report explaining the overspending to the State Board of Examiners. The Board will recommend corrective action, which may include a request to the Legislature for a supplemental appropriation to cover the deficit. If a supplemental appropriation is not approved, the department must cover the overspending with the subsequent year's budget. In the General Fund, the State Courts Administrator's budget for juror and witness fees was overexpended by \$374 thousand. This deficit is allowed by statute and will be funded with future appropriations. Also, the budget for the Medical Assistance Program (primarily Medicaid) was overexpended by \$1.834 million (excluding \$468 thousand of nonlapsing funds not available to cover the deficit). This deficit occurred because of increased utilization and program changes related to reinsurance, and is expected to be covered by the fiscal year 2003 appropriation. The Department of Health will continue its efforts to control expenditures of this complex entitlement program to help ensure overexpenditures do not occur in the future. All other appropriated budgets of the State were within their authorized spending levels.

The State also has an appropriation limitation statute that limits the growth in state appropriations in two ways. First, as population, personal income, and inflation increase, appropriations are allowed to increase only at the same relative rate. Second, the state-mandated property tax rate, which funds a portion of public education at the local level, is capped at the level set July 1, 1989. The appropriations limitation can be exceeded only if a fiscal emergency is declared and approved by more than two-thirds of both houses of the Legislature, or if approved by a vote of the people. However, the appropriations limitation statute may be amended by a majority of both houses of the Legislature. Appropriations for construction of capital facilities and Centennial Highway Fund projects, appropriations for debt service, and transfers to the Budgetary Reserve Account (Rainy Day Fund) are exempt from the appropriations limitation. Beginning in 2003, appropriations of unrestricted revenues to the Centennial Highway Fund will no longer be excluded from the appropriations limitation calculation. For the fiscal year ended June 30, 2002, the State was \$340.7 million below the appropriations limitation. The State is currently below the fiscal year 2003 appropriations limitation by \$294.1 million.

INFORMATION ABOUT INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH

As allowed by GASB Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments, the State has adopted an alternative to reporting depreciation on roads and bridges (infrastructure assets) maintained by the Utah Department of Transportation (UDOT). Under this alternative method, referred to as the “modified approach,” infrastructure assets are not depreciated, and maintenance and preservation costs are expensed.

In order to utilize the modified approach, the State is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform and document replicable condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the State.
- Document that the infrastructure assets are being preserved approximately at, or above the condition level established by the State.

Roads

UDOT uses the Pavement Management System to determine the condition of 5,855 centerline miles of state roads. The assessment is based on the Ride Index, which is a measure of ride quality on a 1 to 5 scale, with 5 representing new or nearly new pavements that provide a very smooth ride. The Ride Index is calculated from the International Roughness Index (IRI), with pavement type (asphalt or concrete) taken into account. The IRI is a mathematical statistic based on the longitudinal profile of the road.

Category	Range	Description
Very Good	4.35 - 5.00	New or nearly new pavements that provide a very smooth ride, and are mainly free of distress.
Good	3.55 - 4.34	Pavements which provide an adequate ride, and exhibit few, if any, visible signs of distress.
Fair	2.75 - 3.54	Surface defects in this category such as cracking, rutting, and raveling are affecting the ride.
Poor	1.85 - 2.74	These roadways have deteriorated to such an extent that they are in need of resurfacing and the ride is noticeably rough.
Very Poor	1.00 - 1.84	Pavements in this category are severely deteriorated, and the ride quality must be improved.

Condition Level

The State’s established condition level is to maintain 50 percent of its roads with a rating of “fair” or better and no more than 15 percent of roads with a rating of “very poor.”

The State performs complete assessments on a calendar year basis. The following table reports the result of pavements with ratings of “fair” or better (ratings of 2.75 through 5.0) or “very poor” (ratings of 1.0 through 1.84) for the last three years:

Rating	2001	2000	1999
Fair or Better	70.4%	66.5%	74.0%
Very Poor	8.3%	10.7%	7.3%

Bridges

UDOT uses the Structures Inventory System to monitor the condition of the 1,760 state-owned bridges. A number, ranging from 1-100, is calculated based on condition, geometry, functional use, safety, and other factors. Three categories of condition are established in relation to the number range as follows:

Category	Range	Description
Good	80-100	Preventive maintenance requirements include repair leaking deck joints, apply deck overlays and seals, place concrete sealers to splash zones, paint steel surfaces, and minor beam repairs.
Fair	50-79	Corrective repairs include deck, beam, and substructure repairs, fixing settled approaches, and repairing collision damage.
Poor	1-49	Major rehabilitation and replace includes deck, beam, or substructure replacements or replacement of the entire bridge.

Condition Level

The State performs complete assessments on an annual basis ending April 1 of each year. The established condition level is to maintain 50 percent of the bridges with a rating of “good” and no more than 15 percent with a rating of “poor.” The following table reports the results of the bridges assessed for the past three years:

Rating	2002	2001	2000
Good	70.4%	67.0%	76.5%
Poor	2.8%	5.0%	10.8%

The following table presents the State’s estimated amounts needed to maintain and preserve the roads and bridges at or above the established condition levels addressed above, and the amounts actually spent for each of the past five reporting periods (in thousands):

FISCAL YEAR	ESTIMATED SPENDING	ACTUAL SPENDING
2002	\$ 285,044	\$ 330,894
2001	\$ 281,497	\$ 246,399
2000	\$ 251,039	\$ 249,500
1999	\$ 238,970	\$ 263,568
1998	\$ 238,302	\$ 245,443

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